

WHAT ARE YOUR RIGHTS ?

***Automobile and Residential Cancellations,
Non-Renewals, and Premium Misquotes***

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The Department of Insurance is concerned about your privacy and the protection of your legal rights involving personal insurance.

This brochure is designed to help you understand the regulations, rules, and provisions that provide protection under the following circumstances:

- When you apply for insurance.
- When your insurance coverage is affected by an adverse underwriting decision.
- When your policy is canceled.
- When your policy is nonrenewed.
- When your premium is misquoted.

This information is presented to you in the form of questions most asked by the insurance consumer.

Q. When I apply for insurance, what kind of information is collected?

A. Your insurance company or agent will require that you disclose certain personal information to determine your eligibility for insurance coverage and establish the price of coverage. In addition, companies may also obtain information from independent sources. For example, if you are applying for automobile insurance, the company may collect information such as your driving record and use of the automobile. For homes, pleasure boats, recreational vehicles and other personal property insurance, the company may order an investigative consumer report to determine the condition of the property and verify the information you have provided on your application.

Q. What are independent sources?

A. For automobile or boat insurance, most companies will order a Motor Vehicle Report (MVR) for all drivers listed on the insurance application from the Department of Motor Vehicles. This MVR will be used to verify and check accidents= and/or motor vehicle convictions, if any.

Other independent sources may include your prior insurance company and/or consumer reporting agencies or inspection services. These organizations may contact you, your family members, neighbors, or employer.

Q. Do I have the right to know if the company has ordered a consumer report about me?

A. The insurance company must inform you if a consumer information report is ordered. You also have the right to receive a copy of the completed report. You may write to the company providing them with proper identification (your name, address, and policy number). The company must provide this information within 30 days. The company will also identify to whom the information has been disclosed during the preceding two years.

Q. What can I do if I disagree with the information contained in an investigative consumer report?

A. You may request, in writing, a correction or a deletion of any recorded information about you in the company=s possession. The company will review the file and make the necessary corrections. However, if the company disagrees with you, they must inform you of the reason. If you are not satisfied with their explanation, you have a right to file a statement setting forth what you think is correct and why you disagree with the company=s information. Your supplementary statement(s) will be placed with your file, and anyone reviewing the disputed information will be made aware of the statement(s).

Q. Who has access to information about me?

A. The information collected is kept by the company. It can be used in connection with issuing, servicing and continuing insurance policies, and processing claims. With your prior authorization certain persons or organizations may obtain your information, they are:

- Persons performing a business function for the company, e.g., auditors.
- Your agent or broker.
- Insurance investigators and support organizations, other insurance companies with respect to an insurance transaction involving you.
- Independent claims adjusters.
- Actuarial or research organizations conducting statistical or research studies; however, they must agree not to identify any individual in the report.
- Other companies with which your company is affiliated.

Finally, it may be given to persons or organizations for marketing purposes. However, you may indicate in writing if you do not want the information to be disclosed for such purposes. You may do this when you apply for coverages.

Q. Can an insurance company cancel my auto policy?

A. Generally, a company is required to offer to renew your policy contingent upon premium payment. However, if the company is not renewing your policy, it must mail or deliver a notice of nonrenewal to you at your last known address, at least 30 days before the end of the policy period date. The nonrenewal notice will state that, upon your written request, the company will give you the reason for nonrenewal. You must make your request not later than one month following the expiration of the policy period.

Effective January 1, 1995, in the event that the company fails to send you a notice of nonrenewal at the appropriate time, your policy will remain in effect for 30 days from the date that the proper notice is sent. If you have already replaced your policy with another company, your policy will terminate on the effective date of your replacement policy.

If you felt the company's explanation is unfairly discriminatory and/or in violation of other provisions of the California Insurance Code (CIC), you can have the matter reviewed by the California Department of Insurance, Rating and Underwriting Services Bureau (RUSB).

Q. How do I know if my company is nonrenewing my homeowner's policy or dwelling fire policy?

A. A company is required to mail or deliver a notice of nonrenewal or reduction in policy limits or coverage at least 45 days in advance of the policy renewal. Effective July 1, 1987, if the company fails to give you either an offer of renewal or a notice of nonrenewal at the appropriate time, your policy, with no change in its terms and conditions, will remain in effect for 45 days from the date the notice is sent.

Q. Can a company increase my premium after the policy has been issued?

A. A company has 60 days from the policy's effective date in which to verify the rating and underwriting of a new policy. Within these 60 days, a company must notify you of any error and change in premiums. After 60 days, the company must stand by the original quotation.

If within the first 60 days you do not accept the increase in the premium, you may ask the company to cancel the policy. If the company or its agent has caused the error, the earned premium must be calculated on a pro-rata basis on the original quotation. If the rate increase resulted from incomplete or erroneous information on the part of the applicant, the company can calculate the earned premium pro-rata on the corrected premium. However, if you have agreed to pay a fully earned policy fee which is shown on your application and policy, the company will not return the fee to you.

Q. Do I have to pay any penalty if I cancel my insurance in the middle of the term?

A. Generally, if the policyholder prematurely initiates a cancellation, the premium would be calculated on a short-rate basis whereby part of the unearned premium is being retained by the company to cover administrative expenses. However, some companies may calculate the premium on a pro-rata basis. Read your policy contract to find out the cancellation provisions of the company.

GLOSSARY OF TERMS

Application-the first questionnaire you fill out when you apply for insurance. This form will ask for information about yourself and the subject to be insured (i.e., your car, houses, personal property, etc.).

Cancellation-the termination of insurance coverage during the policy period.

Flat cancellation-the cancellation of a policy as of its effective date, without any premium charge.

Pro-rata cancellation-when the policy is terminated midterm by the insurance company, the earned premium is calculated only for the period coverage was provided. For example: an annual policy with a premium of \$1,000 is canceled after 40 days of coverage at the company's election. The earned premium would be calculated as follows:

$$\begin{aligned} &40/365 \text{ days} \times \$1,000 \\ &= .110 \times \$1,000 = \$110 \end{aligned}$$

Short-rate cancellation-when the policy is terminated prior to the expiration date at the policyholders request. Earned premiums charged would be more than the pro-rata earned premium. Generally, the return premium would be approximately 90 percent of the pro-rata return premium. However, the company may also establish its own short-rate schedule.

Decline-the company refuses to accept the request for insurance coverage.

Effective Date- The date on which the insurance policy begins.

Expiration date-the date on which the insurance policy ends.

Insurance Agent-A person authorized by, and acts on behalf of the insurer to transact all classes of insurance that the insurance company is licensed to sell.

Insurer-A company licensed to issue or that issues an insurance policy or a surety bond in this state, or otherwise transacts the business of insurance in the state.

Material misrepresentation-the policyholder/applicant makes a false statement of any material (important) fact on his or her application. For example, the policyholder provides false information regarding the location where the vehicle is garaged.

Misquote-an incorrect estimate of the insurance premium.

Nonpayment of Premium-failure by the policyholder to pay the premium on a policy or any installment of such premiums.

Nonrenewal-the insurance company is not willing to continue coverage (renew the policy) at the end of the policy period. The company must send advance notice of nonrenewal to the policyholder.

Quote-an estimate of the cost of insurance, based on information supplied to the insurance agent or insurance company by the applicant.

Renewal-the continuation of coverage at the end of the policy period with the same insurance company which issued the policy.

Underwriting-when the company receives the application, they will go through a process of evaluating the insurance application to verify the information provided and determine the acceptability of the risk.

TALK to US

Do you have a question, comment or concern? There are several ways to talk to us:



1. **Call** our consumer Hotline at **(800) 927-HELP**
Callers within the Los Angeles area please dial **(213)- 897-8921**
Telecommunication Device for the Deaf dial **(800) 482-4TDD**



2. **Write:** **California Department of Insurance**
300 South Spring St., South Tower
Los Angeles, CA 90013



3. **E-mail** us through our website at
[www. Insurance.ca.gov](http://www.Insurance.ca.gov)
4. **or visit us in person on the 9th Floor at the address above.**
Monday through Friday 8:00 AM to 5:00 PM P.S.T.
Excluding Holidays